

## Businessman pleads guilty in Ponzi scam

Victims of \$180 million fraud object to judge delaying Southwick's sentencing

By Tom Harvey  
The Salt Lake Tribune  
Salt Lake Tribune

Article Last Updated: 03/31/2008 11:56:59 PM MDT

Victims of what is likely the largest financial fraud ever committed in Utah objected Monday to a judge's decision to delay the sentencing of an Ogden businessman after he pleaded guilty to nine felony counts.

As Val E. Southwick was leaving the courtroom after answering "guilty" in a clear, steady voice in response to a question from Judge Robin Reese, one investor confronted him and asked, "How can you sleep at night? . . . You will go to hell."

Emma Marroquin, 50, said she lost all of her retirement funds, \$400,000, part of which she had been counting on to help finance her mission in Salt Lake City for The Church of Jesus Christ of Latter-day Saints. Marroquin was wearing a plastic name tag that identifies church missionaries.

Southwick pleaded guilty to state charges in connection with the collapse of a web of companies that state and federal agencies say bilked at least 800 people in 30 states and three foreign countries out of \$180 million. The case was described by investigators as a massive Ponzi scheme in which monies from the newest investors were used to pay more mature ones.

Southwick admitted to the crimes as part of a plea bargain in which he is required to cooperate with investigators to recover assets so victims might be repaid. Five of his victims on Monday objected to a part of the plea bargain that delays sentencing in order to allow for the cooperation.

Standing next to Southwick in court, Waldo Perkins, a retired doctor, told Reese he lost nearly \$1 million he invested with Southwick, who promised victims extraordinarily high returns from monies that were described as safe investments in real estate ventures, mostly in Utah and Nevada.

"I had my entire savings from an IRA in that investment," said Perkins, who told the judge that Southwick already has had 22 months to help get victims' money back since his VesCor Capital and a web of 150 or so companies collapsed in 2006.

"To me, it's ludicrous that he's been given an extension."

Attorney Jerome Romero had papers served on Southwick as he entered the courtroom about 20 minutes late because an accident during Monday morning's snowstorm delayed traffic on I-15. Romero is attempting to collect on a \$3 million lawsuit he won on behalf of Jonathan and Colleen Horne, who also were present in court.

Romero recited Southwick's history of ignoring a letter Southwick signed in 2004 in which he pledged not to sell securities in Utah, even though after that date a state Securities Division investigation showed he took money from at least 51 Utahns for a total of \$11.25 million.

"We don't believe we should put any trust in Southwick," Romero said.

Assistant Attorney General Charlene Barlow told Reese that the federal Securities and Exchange Commission had requested the delay before sentencing in order to allow Southwick to recover the assets of the defunct companies. The SEC also wants deeper explanations about the companies' records.

In response to the victims' complaints, Reese set a hearing for June 2 - instead of an August date originally proposed - when a sentencing date could be set. Southwick, who often used his membership in the LDS Church to assure potential investors of his trustworthiness, faces prison sentences of up to 15 years on each of the nine counts of violating Utah securities laws.

Investor Marroquin, after confronting Southwick, asked Southwick's attorney, Max Wheeler, where the money

was coming from to pay his fees. Wheeler replied that he hadn't been paid lately.

Asked outside the courtroom whether he had the money to pay back people such as Marroquin, Southwick replied, "I'm cooperating with the SEC. You'll have to direct your questions to them."

Also outside the courtroom, other investors met with Barlow to express displeasure that Southwick was being allowed extra time to cooperate with investigators. Barlow said the time was necessary so Southwick could explain the complex transactions that took place over the years.

*tharvey@sltrib.com*

\* Key dates in Southwick's case.

\* **Early 1980s** - Southwick's real estate deals in Vernal leave investors tied up for years trying to get their money back after the market crashes.

\* **1985** - Southwick is sued by Greyhound Leasing and Financial Corp. for using funds from a \$79 million fraud perpetrated by two of his former Vernal associates.

\* **1992** - Southwick signs order from Utah Division of Securities and agrees to a fine for violating state securities laws.

\* **1994** - Nevada regulators require Southwick to offer investors their money back after he sells \$4.3 million in unregistered securities.

\* **2002** - Utah Division of Securities investigation leads to \$75,000 fine for Southwick for selling unregistered securities.

\* **2004** - Southwick agrees in a letter to state regulators that he won't sell more securities in Utah.

\* **2006** - Southwick's web of businesses collapses, and he stops paying investor returns.

\* **2007** - Bankruptcy Judge Glen Clark appoints a trustee for Southwick's VesCor Capital Inc. based on evidence of fraud after the company files for protection from creditors.

\* **On Feb. 6**, Southwick is charged with nine second-degree felonies for allegedly violating state securities laws and faces a civil action from the SEC. On March 31, he pleads guilty to all charges. Sentencing is pending.